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DIRECTORATE OF  
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# *Central Intelligence Bulletin*

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[South Vietnam: The Communists are intensifying their efforts to break the morale of the Saigon populace.

Although the city was spared a rocket attack on 13 June, the enemy did succeed in blowing up a big ammunition dump nearby in a spectacular show of pyrotechnics. Communist propaganda, meanwhile, was forecasting a heavy and sustained new wave of assaults, possibly beginning as early as 15 June.

The propaganda, in the form of leaflets and radiobroadcasts, advises the populace to stay away from government and other allied facilities, asserting that these will be the target of the next attacks. Although the enemy objective is primarily to undermine the authority and effectiveness of the government in Saigon, the Communists apparently also hope their terror campaign will begin to produce a significant exodus of refugees from the urban areas, thus opening up a new source of manpower for their military units and labor battalions.

Elsewhere on the 13th, Communist units limited their actions largely to small-scale probes and fire attacks.

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France: The non-Communist left appears to be the chief loser in the present polarized political situation.

The Federation of the Left, headed by Francois Mitterrand, is going into the electoral campaign in poor shape. Its leaders believe it may lose as many as 20 of the 116 seats held in the previous National Assembly. Guy Mollet, secretary general of the Socialist Party, the largest component of the federation, believes that the Gaullists probably will regain control of the parliament. Federation leaders acknowledge they played no significant role in the crisis and that Mitterrand's image suffered as a result of his intemperate reaction to De Gaulle's broadcast of 30 May.

Another reason for the federation's pessimism is a shift in its relationship to the Communist Party. The federation is convinced that the Communists are much more interested in besting the non-Communist left than in defeating the Gaullists. Therefore, although the Communists will continue to cooperate between electoral rounds as in 1967, the federation expects them to be much less cooperative than in 1967 in helping elect federation deputies. Communist leaders [ ] have made it clear that they intend to seek a tactical victory over the federation in order to assume the leadership of the forces of the left.

The federation also fears that mounting anti-Communist sentiment may hurt its chances. Mollet believes that Mitterrand, by creating the impression that the federation is prepared to accept Communists in the government without prior agreement on conditions, has frightened some potential federation voters into supporting the Gaullists. Officially, the federation holds that it will not accept a "popular front" government except on the basis of a common program with the Communists. [ ]

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[ East-West Germany: The East German police began issuing visas to West Germans with or without passports at all autobahn checkpoints on 13 June.

Automobiles have had to wait approximately 15 minutes for processing at special booths on the autobahns. Trucks have waited much longer. As a result, delays of up to several hours have been reported at the heavily traveled Helmstedt checkpoint. After 15 July, West Germans reportedly will not be issued visas without passports.

In West Germany and West Berlin, the prevailing attitude, both official and unofficial, appears to be that Berlin access is a quadripartite problem and that therefore the US, the UK, and France bear the principal burden in seeking redress from the Soviet Union.

Otherwise, there seems to be a considerable difference of opinion in Bonn over how the Federal Republic should proceed. One group, including Chancellor Kiesinger, appears willing to consider the possibility of countermeasures, although the Chancellor says he will not take steps which would hurt the West German economy. Under such circumstances, economic countermeasures probably would be ineffectual. Another group, including leading officials devoted to improving Bonn's ties with Eastern Europe, is inclined to regard the East German move as a fait accompli, to which West Berlin's economy and citizens will have to adjust.

West Berlin Mayor Schuetz in particular is worried that the access controls will be a blow to the economy of the city. Bonn's promise of additional economic assistance and Kiesinger's quick visit to Berlin are measures designed to reassure those Berliners who share Schuetz' concern. ]

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[The Soviet Union has treated the East German action as a "routine" measure "fully in line with the norms of international law and practice." Pravda on 13 June defended the controls as a justified and inevitable response to the pending West German "emergency legislation" which would authorize the federal government to assume broad powers over the citizenry in certain circumstances. ]

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Communist China: Maoist exhortations to intensify "revolutionary struggle" appear to be contributing to the rising level of violence reported in some areas.

Recent broadcasts from Peking and several other cities have been insisting that the "masses" be given a larger role in the Cultural Revolution and a "free hand in carrying out struggle." Army officers and veteran party bureaucrats who now dominate provincial governments are being told to respect the "initiative" and "revolutionary zeal" of the masses.

This propaganda line, based on a set of Mao's "instructions" first published on 2 June, appears to have further restrained the army in its efforts to maintain order. As a result, feuding Red Guard factions are fighting more openly and violently in some areas. [redacted] have been reporting almost daily clashes between groups of armed students or workers in Canton or nearby cities since late May. In almost every incident, army troops have avoided getting involved and have merely tried to keep the fighting from spreading.

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For example, fighting between rival factions on the large Chungshan University campus started on 3 June and was continuing as late as 12 June without sign of army intervention. The factions, composed of both students and workers, are reported to be using machine guns, homemade bombs, "poison gas" manufactured in the chemistry lab, and incendiary bombs. Several university buildings have burned down.

The problem of maintaining order in Canton is complicated by the influx of thousands of refugees from the adjacent province of Kwangsi, where fighting and burning in several large cities have forced residents to flee. [redacted]

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Communist China: Peking may be developing a new propaganda line on foreign affairs.

[REDACTED] Mao Tse-tung ordered all propaganda media to avoid mention of Peking's influence on "international revolutionary movements." Apparently as a result the media in recent weeks have sharply curtailed propaganda on the theme of Asian "armed struggles." This contrasts with Peking's earlier blatant public encouragement and support for "armed struggle" abroad.

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In line with this propaganda shift, Foreign Minister Chen Yi, in a speech of 11 June, hailed Sino-Nepalese relations as "an example of friendship and good-neighborliness between countries with different social systems." Chen affirmed China's desire to promote "the common cause of the Afro-Asian peoples' unity against imperialism" by adhering to the "five principles of peaceful co-existence." He reminded his audience that these principles were "first initiated and carried out" by Peking.

The themes of "peaceful co-existence" and "respect for different social systems" have not been stressed by the Chinese since the beginning of the Cultural Revolution in 1966. At that time Peking abandoned its efforts to form an "anti-imperialist Afro-Asian bloc" and adopted a more militant and chauvinistic international line.

[REDACTED]

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Indonesia: President Suharto's recent abolition of his personal military staff and two civilian advisory teams will strengthen the new cabinet.

The personal military staff had been severely criticized by both civilian and army circles for its gradual accumulation of influence over government functions. It not only screened information and personnel for the President, but it also took independent action which critics felt properly belonged within the cabinet's jurisdiction. The presence of several notably corrupt generals on the staff further singled it out as a target.

The President's economic advisory team, comprising five extremely able Western-trained economists, has carried the burden of the government's priority stabilization program. It has made policy, conducted aid negotiations with foreign governments, and supervised the cabinet ministries involved in carrying out the program.

With more competent personnel in the new cabinet, including a member of the former team as finance minister, the need for an economic advisory group is greatly diminished.

A political advisory team, also abolished, has been inactive for some time and its demise is merely formalized.

These changes, along with the more competent and politically balanced cabinet installed on 10 June, make up a political package by which Suharto has responded to the demands of his critics. At the same time he has met his own requirements for expertise in critical posts.

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Malaysia-Singapore: The recent five-nation Commonwealth defense conference in Kuala Lumpur reached substantial agreement on guidelines for joint defense through 1971.

Britain emphasized its concern for the area by pointing out that it will keep about 10,000 military personnel there until the end of 1971. It will, moreover, donate its facilities, except for such operational equipment as radars and missiles, which could be purchased, and is willing to leave advisory and training groups after 1971. The conferees refrained, however, from specifying military commitments after 1971.

The conferees accepted a British suggestion for holding five-power military exercises in the area starting in 1970. Such exercises presumably would demonstrate Britain's capacity to use its mobile forces.

Australia and New Zealand agreed to keep their forces in the area through 1971. Their major contribution will be Australia's two jet squadrons based near Penang.

Malaysia and Singapore agreed to continue building up their present small naval forces, and to cooperate in coastal defense. The Malaysian Navy will continue to operate from Singapore.

The principal point of contention at the meeting was Malaysia's initial insistence that the five powers assume joint responsibility for control of all bases and facilities. The conferees did agree to the concept of joint participation in an integrated air defense system.

Success of future five-power cooperation rests fundamentally on the subordination of antagonism between Malaysia and Singapore. The organization of an effective air defense system would be difficult if the two countries were to engage in the competitive and economically costly development of separate air forces.

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Japan: The Japanese Communist Party is mounting new efforts to embarrass the government over the US military presence.

The Communists apparently are seeking to keep alive and reinforce popular concern over the alleged radioactive contamination of Sasebo harbor by the nuclear-powered submarine Swordfish in early May. Fumio Yamazaki, a Japanese scientist and Communist Party member who headed a panel of experts that investigated the incident last month, now contends that further analysis of the sea-water samples taken on 6 May will show evidence of radioactivity. This would be contrary to findings by the government's Science and Technology Agency.

Yamazaki's membership in the Communist Party is not publicly known and thus his statements have not been seen to contain political bias. His spurious allegation was played up not only by the Communist press but also by Asahi, the most widely read newspaper in Japan.

The Communists also plan to release government documents they have obtained in an effort to demonstrate Japan Defense Agency "duplicity and insincerity" in negotiating with the Americans. The Communists hope to sow discord between Japanese and US military negotiators concerned with the eventual return of a US forces training area near Mount Fuji. They also hope to demonstrate that the Japanese side has not been pressing hard enough for return of land claimed by local farmers.

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Pakistan: Pakistan has announced the first increase in military expenditures since the 1965 Indo-Pakistani conflict.

In his budget speech on 8 June, Pakistani Finance Minister Uquaili said the increase is directly related to the continued rise in Indian military expenditures. Defense spending for 1968-69 was budgeted at \$532 million, some ten percent above actual expenditures in 1967-68. During the Indo-Pakistani conflict defense costs reached a record high of \$617 million.

The economic impact of the increased military spending will be marginal. Defense expenditures will continue to account for only about 3.5 percent of the gross national product, about the same as the last two years. Nor is the increase likely to be inflationary.

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Congo (Kinshasa) - Belgium: Relations between Kinshasa and Brussels have again entered a cordial phase.

The recent meeting in Brussels between Congolese President Mobutu and King Baudouin of Belgium was the first between the King and a Congolese head of state since independence. It was presumably more social than substantive. Press reaction in both countries was generally favorable.

The continually fluctuating relations between the two states reached a low point during the mercenary rebellion last summer, highlighted by inflammatory antiwhite radiobroadcasts, several Belgian deaths, and the sacking of the Belgian Embassy. Belgium, in turn, suspended its technical assistance programs.

When the mercenary problem subsided, Mobutu softened his rhetoric about "economic independence" and put management of the Congo's copper industry back in Belgian hands. Mobutu has been cooperative and reasonable with Belgian firms considering new investments in the Congo and has asked for Belgian experts to advise Finance Ministry officials. For its part, Belgium has resumed its assistance, although at a reduced level.

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25X1 Czechoslovakia-USSR: A Czechoslovak economic mission apparently did not get the Soviet currency credit it sought during recent talks in Moscow. The Soviets may be withholding the credit to obtain further political leverage over Prague. The only result of the talks announced thus far is an agreement covering increased exports of Soviet natural gas in the period after 1970 in return for Czechoslovak supplies of large-diameter pipe. [REDACTED]

\* \* \* \*

25X1 Uruguay: President Pacheco declared a limited state of siege yesterday to counter continuing student riots and labor agitation. This action has prompted the resignations of the minister of public health and the minister of culture--which includes education. The minister of labor also resigned because he had been unable to maintain a dialogue with labor. A crippling strike in the government banking system and a wave of demonstrations and riots, in which students were joined by trade union elements, probably were the determining factors in the government's decision to take security measures. [REDACTED]

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